

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 OMB-01 DRC-01 /095 W

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R 060435Z FEB 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHC 2477

INFO AMEMBASSY JAKARTA

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: EMIN, EFIN, PP

SUBJ: HIGH BOUGAINVILLE PROFITS BRING CALLS

FOR MORE BENEFITS TO PNG

REF: CANBERRA A-291 NOTAL (AND PREVIOUS)

1. FEBRUARY 1 ANNOUNCEMENT BY BOUGAINVILLE COPPER LTD.
(BCL) OF A\$146 (US\$217) MILLION PROFIT FOR FIRST FULL
YEAR OF OPERATION HAS STIRRED UP CALLS FOR GREATER
BENEFITS TO PEOPLE OF PAPUA NEW GUINEA. OVER A\$80
MIOOION IN DIVIDENDS WILL BE PAID OUT TO BCL SHAREHOLDERS,
MOST OF WHOM ARE FOREIGNERS. PRESS REPORTS INDICATE
TOW OF MORE RADICAL MEMBERS OF NATIONAL COALITION
GOVERNMENT, JUSTICE MINISTER JOHN KAPUTIN AND FATHER
JOHN MOMIS, HOUSE OF ASSEMBLY MEMBER FROM BOUGAINVILLE
AND DEPUTY CHAIRMAN OF CONSTITUTIONAL PLANNING COMMITTEE,
HAVE MADE FOUR "DEMANDS" : (A) IMMEDIATE 80 PER CENT
EFFECTIVE CORPORATE TAX RATE ON BCL INSTEAD OF PRESENT
TAX HOLIDAY; (B) GOVERNMENT ACQUISITION OF
CONTROLLING INTEREST IN OPERATING COMPANY: (C)

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CRATION OF GOVERNMENT AUTHORITY TO CONTROL AND MANAGE

OPERATING COPMAPNY AND DEVELOP PRESENT AND FUTURE MINES ELSEWHERE IN PNG; AND (D) TERMINATION OF EXISTING PROSPECTING AUTHORITIES AT BOUGAINVILLE AND OK TEDI LATTER HELD BY KENNECOTT) MINING SITES SO PNG GOVERNMENT MAY CONTROL ALL FUTURE PROSPECTING AND SUBSEQUENT MINING CTIVITIES AT BOTH. CHIEF MINISTER SOMARE, FINANCE MINISTER CHAN AND GOA MINISTER MORRISON, WHO RETAINS RESPONSIBILITY FOR NOW SELF-GOVERNING PNG, ALL HAVE MADE LESS DRASTIC STATEMENTS SUPPORTING SOME FORM OF RE-DISTRIBUTION OF BENEFITS FROM BCL TO PEOPLE OF PNG.

2. EMBASSY COMMENT: BOOSTED BY SOARING WORLD COPPER AND GOLD PRICES, BCL PROFIT FIGURE IS ENORMOUS FOR SMALL, POORT COUNTRY LIKE PNG. ENTIRE BOUGAINVILLE PROJECT ONLY REPRESENTS A\$400 MILLION INVESTMENT AND TOTAL TAX, ROYALTY AND RELATED BENEFITS FOR PAST YEAR TO PNG GOVERNMENT ESTIMATED AT A\$33 MILLION. MODERATES SUCH AS SOMARE AND CHAN, WHO ARE LOATHE TO FRIGHTEN OFF FUTURE FOREIGN INVESTMENT IN PNG, WILL NOW SURELY HAVE TO SUPPORT MORE VIGOROUSLY RENEGOTIATION OF 1967 BOUGAINVILLE AGREEMENT, WHICH GOA NEGOTIATED IN NAME OF PNG. UNDOUBTELDTY BCL EXECUTIVES THEMSELVES NOW RECOGNIZE NEED FOR SOME REALLOCATION OF BENEFITS. PNG GOVERNMENT IS WEIGHING VARIOUS PROPOSALS FOR SUCH REALLOCATION, MOST NOTABLY RENEGOTIATING AGREEMENT TO INCOPORATE A SLIDING SCALE FORMUAL AIMED AT ASSURING PNG APPROPRIATE SHARE OF BENEFITS WHATEVER THEI LEVEL. MEANWHILE, SOMARE SEEMS CERTAIN TO WEHATER HARSH CITICISM FROM FIERY KAPUTIN, WHO HAS PUBLICLY SAID THAT CHIEF MINISTER SHOULD TAKE OVER BCL OR RESIGN.
HARROP

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